



**JOINT AUDIT**

**OF THE GOVERNANCE ARRANGEMENTS**

**OF THE SUSTAINABLE DEVELOPMENT GOALS FUND**

**Report No. 1885**  
**Issue Date: 30 November 2017**

## **Report on the Audit of Governance Arrangements of the Sustainable Development Goals Fund**

### **Executive Summary**

The internal audit services of three United Nations organizations, i.e., the Office of Internal Audit and Oversight of the ILO (IAO); the Office of Audit and Investigations of UNDP (OAI); and Office of Internal Audit and Investigations of UNICEF (OIAI) collectively referred to herein as the “internal audit services” or “the joint audit team” conducted a joint audit of the governance arrangements of the Sustainable Development Goals Fund (SDG-F), from 5 to 23 June 2017, in New York. The joint audit team covered the governance arrangements of the SDG-F from 1 December 2013 to 30 April 2017.

The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- SDG-F Secretariat and Functions
- Joint Programmes and UN Partnerships
- Monitoring and Evaluation Framework
- Narrative Reporting
- Resource Mobilization
- Private Sector Advisory Group
- Knowledge Management

The governance and management of the SDG-F is comprised of (a) the Steering Committee, (b) the Secretariat, and (c) the Multi-Partner Trust Fund Office (MPTF). The Steering Committee consists of the donor(s) and UNDP, and should convene once per year. The MPTF serves as the Administrative Agent for the SDG-F. The Secretariat plays a key role in the governance of the SDG-F.

The audit covered the activities of the Office from 1 December 2013 to 30 April 2017. Since its inception, it had received \$58 million and \$172,000 in refunds, it transferred \$32.4 million to Participating United Nations Organizations (PUNOs) and was charged \$9.5 million by the Secretariat for direct costs, which include global programmes, staff and operations expenses. As of 15 June 2017, the SDG-F had \$16 million, with the MPTF as the Administrative Agent. In addition, the SDG-F incorporated the requisite of matching funds, and \$40 million was mobilized as matching funds for the first round of joint programmes. The SDG-F was established incorporating the lessons learned and the experience of the MDG Achievement Fund with the intent of actively contributing to the discussions of the post-2015 development agenda. This was the first audit of the SDG-F governance arrangements.

The audit was conducted in conformance with the Framework for Joint Internal Audits of United Nations Joint Activities of the United Nations Representatives of Internal Audit Services (UN-RIAS) and in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. These standards require that the internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of governance, risk management and control processes related to the audited activities. The audit included reviewing and analysing, on a test basis, information that provides the basis for conclusions and audit results.

Previously, OAI of UNDP conducted the audits of the Administrative Agent function of the SDG-F, fulfilled by the MPTF Office in New York (OAI report no. 1785 published 2 May 2017), and of the Joint Programme in Colombia funded by the SDG-F (OAI report no. 1810, 18 September 2017).

As envisioned in the Framework for Joint Internal Audits of United Nations Joint Activities, a consolidated audit report will be issued. It will include the results of the internal audits carried out at the level of each PUNO, the results of the audit from the Administrative Agent function, as well as the present audit of the governance arrangements of the SDG-F.

### Overall audit rating

OAI assessed the governance of the SDG-F as **unsatisfactory**, which means “The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.” This rating was mainly due to the SDG-F Secretariat’s lack of approved terms of reference and inadequate risk register, low frequency of meetings held by the Steering Committee, and incomplete work planning such as monitoring, evaluation, and budgeting activities.

**Key recommendations:** Total = 7, high priority = 3

Objectives	Recommendation Nos.	Priority Rating
Achievement of the organization’s strategic objectives	2	High
	7	Medium
Reliability and integrity of financial and operational information	-	-
Effectiveness and efficiency of operations	3	High
	5, 6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	High
	4	Medium

For high (critical) priority recommendations, prompt action is required to ensure that the SDG-F is not exposed to high risks. Failure to take action could result in major negative consequences for the SDG-F. All high (critical) priority recommendations are presented below:

Weaknesses in the establishment of the SDG-F Secretariat (Issue 1)

The SDG-F Secretariat had not developed internal controls to support its work planning and intended mandate. Three and a half years after the Administrative Agreement was signed, where it was stated that ‘the intent was for the SDG-F to be a permanent facility’, the joint audit team found that:

- There were no approved terms of reference by the Steering Committee to guide the work of the Secretariat.
- The SDG-F was using the annex document to the SDG-F Action Plan, with references to respective risks as a risk register. However, the risk register was not actively used to manage key risks, per the UNDP policies, as it did not include the risk owners. The audit also noted that the Steering Committee

had only met five times since the establishment of the SDG-F in 2013 for reasons beyond the control of the Secretariat. The minutes and duration of the meetings indicated that the discussions were high level and abstract. The Secretariat convened the last Steering Committee meeting in September 2015.

Recommendation 1: The Secretariat should strengthen its internal controls by: (a) seeking the approval of terms of reference by the Steering Committee to guide its work and mandate; and (b) developing tools to actively manage risks of the SDG-F, as described in the risk register.

Recommendation 2: The UN representative in the Steering Committee should address the issue of the Steering Committee convening regularly, so as to ensure that the Committee is informed by the Secretariat on the progress of the SDG-F's activities in achieving its mandate, and to enhance supervision.

Incomplete monitoring and evaluation and budgeting in Secretariat work planning (Issue 2)

The Secretariat did not fully document the budget and expenses for individual tasks in its departmental work plan. The joint audit team review of the 2014-2016 work plan found that the plan listed summary level tasks with an aggregated cost allocation.

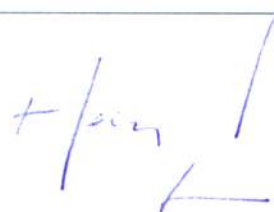
The monitoring and evaluation strategy indicated missions to 18 of the 22 joint programme operations. The purpose of the missions was to improve programme management, communications and knowledge management and to prepare reports to all partners and stakeholders. The Secretariat conducted 4 of these 18 planned monitoring visits, due to an unrealistic work plan.

Recommendation 3: The Secretariat should complete its work planning by: (a) adding the state of completion and expenditure incurred for all budgeted tasks; and (b) establishing a field monitoring mission for joint programmes and extensions of existing ones that is consistent with budgeted resources.

## Management comments and action plan

The Director of the SDG-F Secretariat accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Issues of low risk (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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